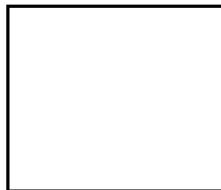


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14 November 1959

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CENTRAL INTELLIGENCE BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

14 November 1959

DAILY BRIEF

I. THE COMMUNIST BLOC

II. ASIA-AFRICA

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Laos: Differences between Prime Minister Phoui and his majority party on the one hand and young reformist elements in the government on the other appear to be nearing a crucial stage

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(with the approach of the scheduled termination of the Assembly's mandate next month. Premier Phoui accuses the young reformists of maneuvering for an extraconstitutional government under their control which would be appointed by the king with the military's support. The reformists, on the other hand, who have no seats in the present parliament, claim that the government's anti-Communist program is proceeding too slowly and advocate constitutional modifications strengthening the executive branch.)

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Indonesia: Shell Oil Company facilities in South Sumatra in recent weeks have suffered a series of rebel attacks resulting in losses of crude oil totaling one fifth to one sixth of normal production. The oil industry, as a whole, however, although frequently threatened by the rebels, has not been seriously affected by the dissidents' campaign of economic warfare aimed at obstructing export production and denying revenues to the government; rubber estates in North Sumatra have borne the brunt of rebel attacks. In 1958, oil and rubber, Indonesia's major products, accounted together for 72 percent of the nation's exports.

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Japan-Korea: (President Rhee has told the press that Seoul is ready to negotiate on the arbitrary Rhee fishing line as part of a general agreement with Japan, but that the prospects for such an agreement would be dim if Koreans in Japan are repatriated to North Korea. Only once before, apparently, has Rhee suggested publicly the possibility of a compromise on this line, which unilaterally prohibits Japanese fishing on the high seas off the coast of South Korea. Rhee's warning on repatriation, however, suggests this may only be a maneuver to block the repatriation to Communist North Korea which is scheduled to begin in mid-December.)

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(Page 4) (Map)

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III. THE WEST

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Cuba: (Fidel Castro evidently plans to subordinate the Cuban Government as well as the entire Cuban economy to the control of the leftist-led National Agrarian Reform Institute (INRA). He is alleged to have said in a closed meeting of INRA officials that his government could obtain all the money necessary for its plans and that no private investment would be needed since the state would own everything. Ambassador Bonsal in Havana believes that, although this report of Castro's statements may be exaggerated, it is basically accurate and merits most careful consideration.) 25X1

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Panama: (The eruption of violent new anti-US disorders, marked by larger demonstrations and more severe repercussions than those of 3 November, is threatening in plans for another Panamanian march on the Canal Zone on 28 November. The weak Panamanian Government, seeking strength from an association with a popular cause, appears unwilling to control the growth of anti-US feeling which the US Embassy fears may now be beyond control. Some leading Panamanians have intimated that only some dramatic US concession regarding Panama's sovereignty claims over the Canal Zone can prevent "disastrous consequences.") (Page 6) 25X1

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Laotian Government Faces Increasing Internal Rift

Differences between the conservative and reformist groups comprising Laos' leadership may be brought to a head by conflicting plans for solving the political problems arising from the lapse of the National Assembly's mandate on 25 December. How this issue is resolved will have a bearing on the balance of power between the two groups and will determine possible changes in the governmental framework. Party lines on this issue are blurred in several cases.

Premier Phoui's old-guard Rally of the Lao People (RLP)--the majority group in the present government--advocate a constitutional amendment permitting extension of the legislature's mandate by one year and retention of the present cabinet with minor changes. The young reformists, organized as the Committee for the Defense of National Interests (CDNI), want the mandate to expire on schedule, after which the King would appoint a provisional government pending elections next spring. The reformists also feel that constitutional modifications strengthening the executive branch of the government are required for a vigorous anti-Communist program in Laos.

Phoui accuses the CDNI, which enjoys military backing, of maneuvering to take over power by extraconstitutional means. While he has exercised moderation in the past to bridge both camps, he now states he feels that the time has come when the CDNI must be "brought into line," even at the risk of a government crisis. A key factor is the attitude of King Savang Vathana, who as crown prince championed the CDNI, but who may have modified his views since succeeding to the throne last month.

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Indonesian Dissidents Continue Attacks on South Sumatran Oil Fields

An official of the Shell oil subsidiary in Indonesia (BPM) has reported rebel attacks over a six-week period in September and October against Shell facilities in South Sumatra. The company and the rebels reportedly have been in touch with each other, however, and no dissident strikes have been reported since early November, possibly indicating that some arrangement has been reached.

Company losses during the period of the attacks totaled one fifth to one sixth of normal production. Since BPM supplies the major part of refined products for the local market, renewed attacks could cause serious shortages and further economic difficulties for the government. To date, however, BPM has made no representations to Djakarta concerning the dissident raids.

Oil companies in Sumatra--Caltex, Stanvac, and BPM--have been repeatedly warned by the dissidents to provide assistance or face sabotage, but the oil industry as a whole has not been seriously affected. (The attacks on Shell were preceded by a rebel request for financial assistance last August; Stanvac reportedly also suffered damage in September.)

Operations against oil companies, although partially aimed at providing funds for the rebels, are primarily part of a campaign of economic warfare directed at obstructing production and denying revenues to the government. Heretofore, rubber estates in North Sumatra have borne the brunt of dissident harassment. Oil and rubber are Indonesia's major products, accounting together in 1958 for 72 percent of the nation's exports.

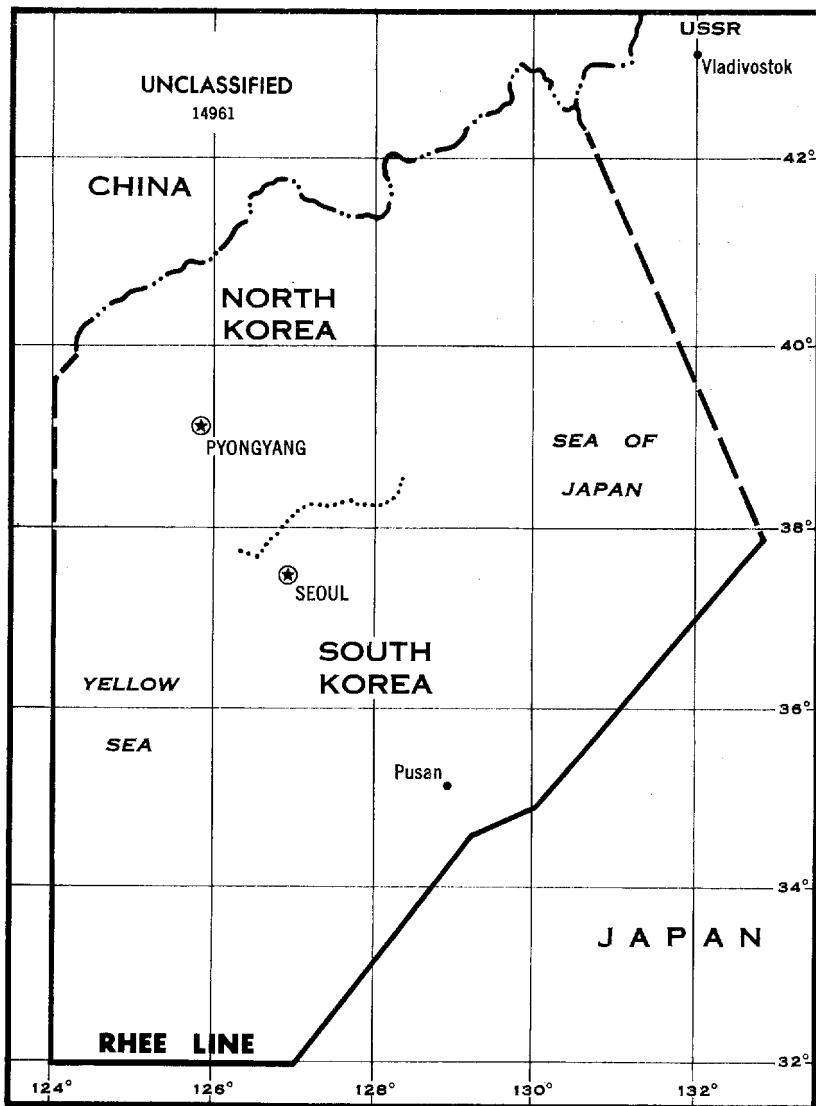
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Rhee Willing to Negotiate Fishing Line With Japan

President Rhee on 11 November told the press that Seoul is ready to negotiate the Rhee fishing line as part of a general settlement of outstanding differences with Japan. Only once before, apparently, has Rhee suggested publicly a willingness to compromise on the line, which unilaterally prohibits Japanese fishing on the high seas off the coast of South Korea. Seoul has consistently refused to negotiate any modification of the line and continues to seize and hold Japanese fishing boats and crewmen caught operating inside it.

Rhee in his statement, however, linked the successful conclusion of an over-all agreement to the cancellation of plans to repatriate Koreans from Japan to North Korea. His offer to compromise on the fishing line may thus be just another maneuver to block the repatriation. In a similar move he had previously agreed, after the Japanese announced that repatriation to North Korea would be permitted, to resume talks with Tokyo on outstanding differences.

Seoul has continued to procrastinate on the mutual exchange with Tokyo of each other's detained nationals which would clear the way for the settlement of other issues. Despite Seoul's stratagems, Tokyo appears unlikely to cancel the repatriation to North Korea, which is scheduled to begin in mid-December. Out of about 700,000 Koreans in Japan, slightly more than 5,000 have registered with the Japanese Red Cross for the repatriation.

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Cuban Reform Institute Seen Dominating Nation's Economy

[Redacted]

Fidel Castro evidently plans to subordinate the Cuban Government as well as the entire Cuban economy to the control of the leftist-led National Agrarian Reform Institute (INRA). He is alleged to have said in a closed meeting of INRA officials that his government could obtain all the money necessary for its plans and that no private investment would be needed since the state would own everything. Ambassador Bonsal in Havana believes that although this report of Castro's statements may be exaggerated, it is basically accurate and merits most careful consideration.

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[Redacted] corroborates some of the details.

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[Redacted] confirms suspicions that much of the land expropriated by INRA will be worked cooperatively under government ownership, in direct contravention of Castro's promise that the land would belong to those who worked it. This and the government's limitation of cooperative profits may have caused the dissatisfaction reported among peasants on cooperatives already established. Cattle ranchers, sugar mill owners, and cane growers will not be allowed to operate with reduced holdings as previously believed, but will soon be forced to sell out to the government. "Peoples' stores" will ultimately control the food market but their takeover of regular outlets will be gradual, probably beginning in December with rural stores, including those run by sugar mills. Alleged plans also include eventual government takeover of private industry. This will be facilitated by refusal of loans or credits, state control of all raw materials, and the creation of state industries with low production costs.

Castro's alleged statement that all the money necessary to implement these plans will be available to his regime may indicate the government will eventually take over the banks.

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[Redacted]

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Severe New Anti-US Demonstration Planned in Panama

Anti-US mob demonstrations of more severe proportions than the 3 November riots are probable on 28 November, the 138th anniversary of Panama's separation from Spanish rule. Delegations from the interior reportedly plan to join Panama City groups on that date in a "reaffirmation of sovereignty" march into the Canal Zone. The new demonstration is reported to be backed by presidential contender Aquilino Boyd, author of the call for the 3 November march, whose political prospects were enhanced as a result of the riots of that date.

The impending crisis, which could easily be turned against the weak De la Guardia government, is viewed by several leading Panamanians as potentially more serious than the 3 November incidents.

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President de la Guardia will not order the National Guard into action against demonstrators, fearing that the mob would then turn against him and his government. Minister of Government Hector Valdes says that Guard Commander Bolivar Vallarino also opposes firm action by the National Guard to quell the 28 November demonstration. The US Embassy fears that the Panamanian Government, which has used anti-American sentiment as a means of strengthening its own political position, now may be unable to control it.

Anti-US incidents could also occur in Panama on 18 November, the anniversary of the signing of the original canal treaty between the United States and Panama in 1903.

Some Panamanian leaders maintain that "disastrous consequences" can be avoided only by some dramatic US concession, such as permitting Panama to fly its flag in the Canal Zone. The US ambassador says mob violence on 28 November is "almost certain" under present conditions.

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The Secretary of State

The Under Secretary of State

The Under Secretary of State for Economic Affairs

The Deputy Under Secretary for Political Affairs

The Deputy Under Secretary for Administration

The Counselor

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